

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
and Floyd Valley Hospital Foundation
Le Mars, Iowa**

FINANCIAL REPORT

June 30, 2021 and 2020

C O N T E N T S

	<u>Page</u>
OFFICIALS	3
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	4-5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6-11
 FINANCIAL STATEMENTS	
Statements of net position	12-13
Statements of revenues, expenses, and changes in net position	14
Statements of cash flows	15-16
Statements of financial position	17
Statements of activities	18
Statements of cash flows	19
Notes to financial statements	20-40
 REQUIRED SUPPLEMENTARY INFORMATION	41
Schedule of comparative budgetary reporting	42
Schedule of changes in the Hospital's Net OPEB liability, related ratios and notes	43
Schedule of the Hospital's proportionate share of the net pension liability	44
Schedule of Hospital pension contributions	45-46
Notes to required supplementary information – pension liability	47
 INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	48
 SUPPLEMENTARY INFORMATION	
Analysis of patient receivables	49
Analysis of allowance for uncollectible accounts	49
Inventories	50
Insurance coverage	51
Patient service revenue	52
Provision for contractual and other adjustments	53
Other revenue	53
Expenses	54-55
Comparative statistics	56
 INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	57-58
 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	59-60
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	61
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS	62-65

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
OFFICIALS
June 30, 2021**

Board of Trustees

Expiration of term

Ralph Klemme, Chairperson
Danna Schuster, Vice Chairperson
Janelle Bixenman, Secretary
Craig Bauerly, Treasurer
Kelli Flack

December, 2023
December, 2023
December, 2023
December, 2021
December, 2021

Administrator

Dustin Wright

Director of Financial Services

Daryl J. Friedenbach



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Floyd Valley Hospital
d/b/a Floyd Valley Healthcare
LeMars, Iowa

We have audited the accompanying financial statements of Floyd Valley Hospital d/b/a Floyd Valley Healthcare, a component unit of the City of LeMars, Iowa, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents. We have also audited the accompanying financial statements of Floyd Valley Hospital Foundation, a component unit of Floyd Valley Hospital d/b/a Floyd Valley Healthcare, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Floyd Valley Hospital d/b/a Floyd Valley Healthcare and Floyd Valley Hospital Foundation, as of June 30, 2021 and 2020, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of comparative budgetary reporting, the schedule of changes in the Hospital's Net OPEB liability, related ratios and notes, the schedule of the Hospital's proportionate share of the net pension liability and the schedule of Hospital pension contributions and notes on pages 6-11, 41-47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2021, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 8, 2021

Floyd Valley Hospital d/b/a Floyd Valley Healthcare Management's Discussion and Analysis

As management of Floyd Valley Hospital d/b/a Floyd Valley Healthcare, we offer readers of the Organization's financial statements this narrative overview and analysis of the Organization's financial performance during the fiscal years ended June 30, 2021, 2020 and 2019. Please read it in conjunction with the Organization's financial statements, which follow this section.

Overview of the Financial Statements:

This annual report includes management's discussion and analysis report, the independent auditors report and the basic financial statements of the Organization. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements:

The financial statements of the Organization report information of the Organization using accounting methods similar to those used by private sector companies. These statements offer short and long term financial information about its activities. The statement of net position includes all of the Organization's assets, liabilities, deferred outflows and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the obligations to Floyd Valley Healthcare's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Organization and assessing the liquidity and the financial flexibility of the Organization.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Organization's operations over the past year and can be used to determine whether the Organization has successfully recovered all of its costs through its patient service revenue and other revenue sources, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Highlights:

- Total assets and deferred outflows of resources decreased by \$1.2 million from FY 2020 to \$69.9 million, primarily related to refunding of Centers for Medicare & Medicaid Services (CMS) advance payments in April 2021.
- Current liabilities decreased by \$5.4 million primarily due to liabilities related to the subsidies provided by the Federal Government in the form of Cares Act payments. Current portion of long term debt decreased by \$1.66 million related to the Paycheck Protection Program loan forgiveness.
- Total cash balances have decreased by \$1.3 million from FY 2020 primarily related to various COVID-19 pandemic related refunding described above.
- Net position increased by \$6,275,500 thousand from FY 2020.
- FY 2021 net patient service revenue was significantly higher as most hospital services improved.
- FY 2021 expenses increased by \$3.8 million related to increase in hospital services. The Organization also recorded \$5.24 thousand in GASB 68 related reporting expenses for the unfunded liability of the IPERS retirement program in FY 2021.
- Total margin for FY 2021 was 10.7%, compared to 2.5% for FY 2020 and 2.7% for FY 2019.

Financial Analysis of the Organization:

The statement of net position and the statement of revenues, expenses, and changes in net position report the net position of the Organization and the changes in it. The Organization's net position – the difference between assets and liabilities – are a way to measure financial health or financial position. Over time, sustained increases or decreases in the Organization's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation should also be considered.

Net Position:

A summary of the Organization's statements of net position at June 30, 2021, 2020, and 2019 are presented in Table 1 below:

Table 1
Condensed Statements of Net Position
(in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019
Current and other assets	\$45,466	\$45,835	\$30,968
Capital assets	<u>\$24,441</u>	<u>\$25,228</u>	<u>\$26,810</u>
Total Assets and Deferred Outflows of Resources	\$69,907	\$71,063	\$57,778
Long term liabilities	\$30,241	\$31,330	\$30,525
Other liabilities	<u>\$13,117</u>	<u>\$19,460</u>	<u>\$ 7,892</u>
Total Liabilities and Deferred Inflows of Resources	\$43,358	\$50,790	\$38,417
Invested in Capital Assets	\$ 5,838	\$ 6,084	\$ 7,139
Restricted	\$ 442	\$ 491	\$ 415
Unrestricted	<u>\$20,269</u>	<u>\$13,698</u>	<u>\$11,806</u>
Total Net Position	\$26,549	\$20,273	\$19,360

Revenues, Expenses, and Changes in Net Position:

The following table presents a summary of the Organization's historical revenues and expenses for each of the fiscal years ended June 30, 2021, 2020 and 2019.

Table 2
Condensed Statements of Revenue, Expenses, and Changes in Net Position
(In Thousands)

	2021	2020	2019
Total Revenue	\$48,538	\$40,789	\$40,393
Expenses	\$46,087	\$42,308	\$40,584
Operating Income (Loss)	\$ 2,451	\$(1,519)	\$ (191)
Non-Operating Gains (Losses)	\$ 3,492	\$ 1,832	\$ (269)
Excess of Revenues over expenses before contributions	\$ 5,943	\$ 313	\$ (460)
Contributions	\$ 333	\$ 599	\$ 1,540
Changes in Net position	\$ 6,276	\$ 912	\$ 1,080
Total Net position, Beginning	\$20,273	\$19,360	\$18,280
Total Net position, Ending	\$26,549	\$20,273	\$19,360

Operating and Financial Performance:

The following summarizes the Organization's statements of revenue, expenses, and changes in net position for June 30, 2021, 2020 and 2019.

Volume: Acute inpatient discharges for fiscal year 2021 were 9% greater than in 2020. Outpatient utilization increased from the prior fiscal year as outpatient services were most impacted by the increase in services after being reduced in the prior in response to COVID-19 and corresponding reduction in services. Swing bed discharges were 16% less than the prior year, while Home Health visits were 2% higher than the prior year. The number of clinic visits at the Family Medicine Clinic was 4% less than the prior fiscal year, also significantly impacted by COVID-19.

Net Patient Service Revenue: Due to specific rate increases, and the increases in services described above, net patient revenues were increased significantly in comparison to fiscal year 2020.

Payor Mix: The payor mix of the patients served has an impact on the net revenues of the Organization because of different contractual payment rates for various payor types. Generally as a Critical Access Hospital the Medicare reimbursement is made based on the cost of providing the services. Other commercial payor's rates are determined by contracts based on fee schedules or percentage of charges billed.

The following table presents the relative percentages of gross charges billed for patient services by payor for the years ended June 30, 2021, 2020 and 2019.

Table 3
Payor Mix by Percentage

	Year Ended June 30		
	2021	2020	2019
Medicare	42.7%	41.8%	39.9%
Wellmark Blue Cross	31.5%	28.9%	30.2%
Commercial	7.9%	11.7%	12.3%
Medicaid	13.7%	12.8%	13.0%
All others	4.2%	4.8%	4.6%

Other Revenue: Floyd Valley Healthcare receives various revenues from non-patient related services, the largest of which is the revenues associated with contract pharmacy arrangements with retail pharmacies. These revenues increased by 52% from the prior year. Revenues associated with the assisted living facility decreased 15% from the prior year.

Expenses: Nursing Services expenses were 8% greater than the prior year due to increased services provided.

Other professional services increased by 15% primarily due to increases in outpatient services provided.

General Service expenses increased 6% primarily due to increased staffing levels.

All other fiscal and administrative service costs increased by 3% primarily related to administrative services, employee benefit costs, including group health insurance cost for employees.

Capital Assets:

At the end of fiscal year 2021, the Organization has invested approximately \$24.4 million in capital assets as shown in Table 4.

Table 4
Capital Assets
(in thousands)

	June 30,		
	2021	2020	2019
Land & Land Improvements	\$ 1,334	\$ 1,334	\$ 1,334
Buildings	\$ 36,629	\$ 36,510	\$ 36,116
Major Moveable Equipment	\$ 10,504	\$ 9,830	\$ 9,313
Medical records	\$ 253	\$ 253	\$ 253
Construction/Equipment Installs in Progress	\$ 813	\$ 6	\$ 27
Subtotal	\$ 49,533	\$ 47,933	\$ 47,043
Less accumulated depreciation	\$(25,092)	\$(11,705)	\$(20,232)
Capital assets, net	\$ 24,441	\$ 25,228	\$ 26,811

Debt Administration:

At the end of fiscal year 2021, the Organization had \$18.6 million in debt related to Hospital Revenue Bonds. More detailed information regarding Floyd Valley Healthcare's debt is presented in the Notes to the Financial Statements.

Deferred Outflows and Inflows of Resources

As of June 30, 2021, the Organization reported \$3,033,605 of deferred outflows of resources and \$707,200 of deferred inflows of resources. The Notes to the Financial Statements provide more detail regarding the nature and components of the deferred outflows and inflows of resources.

Performance Compared to Budget:

Net patient revenues were \$42.5 million which was 7% greater than budget for fiscal year ended June 30, 2021.

Total operating revenues of \$48.5 million were 9% greater than budget expectations for fiscal year ended June 30, 2021.

Operating expenses were \$46.1 million which was 5% less than budget expectations for the fiscal year ended June 30, 2021.

The non-operating gains and contributions of \$3.8 million exceeded budget by 8,400% as contributions exceeded the budget expectations along with COVID-19 relief funding and change in value of split-interest agreement.

The following table compares fiscal year 2021 actual to budget information.

Table 5
Budget vs. Actual
(in thousands)

	FY 2021 Actual	FY 2021 Budget	Dollar Variance	Percent Variance
Gross patient service revenue	\$ 70,941	\$ 67,364	\$ 3,577	5%
Contractual Adjustments & Bad Debt	\$(28,416)	\$(27,900)	\$ (516)	2%
Net patient service revenue	\$ 42,525	\$ 39,464	\$ 3,061	7%
Other operating revenue	\$ 6,013	\$ 4,570	\$ 1,443	32%
Total operating revenue	\$ 48,538	\$ 44,034	\$ 4,504	9%
Operating Expenses	\$ 46,087	\$ 43,831	\$ 2,256	5%
Operating Income/Loss	\$ 2,451	\$ 203	\$ 2,248	1,107%
Non-Operating Gains and Contributions	\$ 3,825	\$ 45	\$ 3,780	8,400%
Excess of Revenues over Expenses	\$ 6,276	\$ 248	\$ 6,028	2,431%

Economic and Other Factors and Next Year's Budget:

Floyd Valley Healthcare's board and management considered many factors when setting the fiscal year 2021 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

- Medicare and Medicaid reimbursement rates
- Reimbursement rates of other payor's especially Wellmark Blue Cross, who has significant market share
- Cost of supplies including escalating drug costs
- Workforce shortages and the impact on salary costs
- Regulatory changes including healthcare reform
- Ability to service the annual debt from operations
- Physician recruitment, especially family practice physicians
- Impact of COVID-19 pandemic on upcoming organizational volumes and reimbursements

Contacting Floyd Valley Healthcare's Management

This financial report is designed to provide our customers, government officials and creditors with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional information, contact the Floyd Valley Healthcare at (712) 546-7871 or write care of: Director of Financial Services, Floyd Valley Healthcare, 714 Lincoln Street NE, Le Mars, Iowa 51031.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
STATEMENTS OF NET POSITION

	June 30	
	2021	2020
CURRENT ASSETS		
Cash	\$15,560,969	\$16,735,948
Certificates of deposit	3,900,000	3,900,000
Assets whose use is limited, required for current liabilities	575,600	558,641
Patient receivables, less allowance for contractual adjustments and uncollectible accounts		
2021 \$5,592,600; 2020 \$4,394,700	6,459,458	4,999,019
Other current receivables	88,849	178,112
Current portion of notes receivable	87,000	50,613
Inventories	587,199	507,865
Prepaid expenses	389,213	359,028
Total current assets	<u>27,648,288</u>	<u>27,289,226</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Cash	4,209,958	776,919
Certificates of deposit	7,857,562	9,864,004
Accrued interest receivable	17,282	50,875
	<u>12,084,802</u>	<u>10,691,798</u>
Restricted for payment of revenue notes and interest, and paycheck protection program loan		
Cash	392,624	3,984,577
	<u>392,624</u>	<u>3,984,577</u>
Restricted by donors for specific purpose		
Cash	49,038	49,041
Total assets whose use is limited	12,526,464	14,725,416
Less assets whose use is limited and that are required for current liabilities	575,600	558,641
Noncurrent assets whose use is limited	<u>11,950,864</u>	<u>14,166,775</u>
CAPITAL ASSETS	49,532,567	47,933,149
Less accumulated depreciation	<u>25,091,982</u>	<u>22,705,153</u>
Total capital assets	<u>24,440,585</u>	<u>25,227,996</u>
OTHER ASSETS		
Notes receivable, net of current portion	239,103	125,660
Beneficial interest in remainder trust	2,450,000	1,101,000
Investment in Northwest Iowa Diagnostics	46,482	53,189
Investment in Floyd Valley Home Medical Equipment	97,733	140,947
Total other assets	<u>2,833,318</u>	<u>1,420,796</u>
Total assets	<u>66,873,055</u>	<u>68,104,793</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	3,025,068	2,949,468
OPEB related deferred outflows	8,537	8,537
Total deferred outflows of resources	<u>3,033,605</u>	<u>2,958,005</u>

See Notes to Financial Statements.

	June 30	
	2021	2020
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 560,148	\$ 534,845
Paycheck protection program loan current portion	—	1,661,443
Accounts payable		
Trade	4,008,721	3,589,374
Accrued employee compensation	2,565,115	2,271,563
Security deposits	18,900	19,400
Payroll taxes and amounts withheld from employees	305,019	270,902
Estimated third-party payor settlements	573,000	835,000
CMS advanced payments and provider relief funds	4,348,332	8,550,679
Accrued interest	15,452	23,796
Deferred revenue	15,455	44,800
Total current liabilities	<u>12,410,142</u>	<u>17,801,802</u>
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	18,043,110	18,609,208
Paycheck protection program loan	—	2,073,757
Net OPEB liability	80,243	80,243
Net pension liability	<u>12,117,300</u>	<u>10,567,068</u>
Total long-term liabilities	<u>30,240,653</u>	<u>31,330,276</u>
Total liabilities	<u>42,650,795</u>	<u>49,132,078</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	707,200	1,657,555
Total deferred inflows of resources	<u>707,200</u>	<u>1,657,555</u>
NET POSITION		
Net investment in capital assets	5,837,327	6,083,943
Restricted	442,382	490,817
Unrestricted	<u>20,268,956</u>	<u>13,698,405</u>
Total net position	<u>\$26,548,665</u>	<u>\$20,273,165</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year ended June 30	
	2021	2020
NET PATIENT SERVICE REVENUE , net of provisions for bad debts 2021 \$1,076,630; 2020 \$1,297,875	\$42,525,299	\$36,027,993
OTHER REVENUE	<u>6,012,554</u>	<u>4,760,643</u>
Total revenue	<u>48,537,853</u>	<u>40,788,636</u>
OPERATING EXPENSES		
Nursing service	9,412,022	8,729,455
Other professional service	20,054,863	17,406,423
General service	2,104,542	1,990,113
Fiscal and administrative service and unassigned expenses	11,957,336	11,624,910
Provision for depreciation and amortization	<u>2,558,600</u>	<u>2,556,794</u>
Total operating expenses	<u>46,087,363</u>	<u>42,307,695</u>
Operating income (loss)	<u>2,450,490</u>	<u>(1,519,059)</u>
NONOPERATING GAINS (LOSSES)		
Interest income	272,735	381,479
Interest and amortization expense	(496,432)	(499,288)
COVID-19 relief funding	2,253,062	1,858,813
Unrestricted contributions	6,350	405
Change in value of split-interest agreement	1,349,000	(9,000)
Equity in earnings of equity method investments	106,256	102,982
Gain (loss) on disposal of equipment	<u>1,036</u>	<u>(3,054)</u>
Total nonoperating gains (losses)	<u>3,492,007</u>	<u>1,832,337</u>
Excess of revenues over expenses before restricted contributions	5,942,497	313,278
RESTRICTED CONTRIBUTIONS	<u>333,003</u>	<u>599,254</u>
Change in net position	6,275,500	912,532
TOTAL NET POSITION		
Beginning	<u>20,273,165</u>	<u>19,360,633</u>
Ending	<u>\$26,548,665</u>	<u>\$20,273,165</u>

See Notes to Financial Statements.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
STATEMENTS OF CASH FLOWS

	Year ended June 30	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$40,802,860	\$36,337,233
Cash paid to employees for service	(21,324,996)	(19,461,458)
Cash paid to suppliers for goods and services	(21,192,839)	(19,246,376)
Other operating revenue received	<u>6,071,972</u>	<u>4,736,201</u>
Net cash provided by operating activities	<u>4,356,997</u>	<u>2,365,600</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Unrestricted contributions received	6,350	405
CMS advanced payments received (refunded)	(5,622,720)	5,622,720
Provider relief funds	—	4,786,772
Paycheck protection program proceeds	<u>—</u>	<u>3,735,200</u>
Net cash provided by (used in) noncapital financing activities	<u>(5,616,370)</u>	<u>14,145,097</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,771,189)	(977,716)
Proceeds from sale of capital assets	1,036	357
Principal paid on long-term debt	(540,795)	(519,715)
Interest paid on long term debt	(504,776)	(492,796)
Contributions restricted for capital assets, net	<u>333,003</u>	<u>599,254</u>
Net cash (used in) capital and related financing activities	<u>(2,482,721)</u>	<u>(1,390,616)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(7,057,562)	(8,864,004)
Proceeds from maturities of certificates of deposit	9,064,004	4,129,783
Distribution and proceeds from Floyd Valley Home Medical Equipment, net	106,256	103,187
Distribution and proceeds from Northwest Iowa Diagnostics, net	(10,828)	(17,872)
Interest received	<u>306,328</u>	<u>383,038</u>
Net cash provided by (used in) investing activities	<u>2,408,198</u>	<u>(4,265,868)</u>
NET INCREASE (DECREASE) IN CASH	(1,333,896)	10,854,213
CASH		
Beginning	<u>21,546,485</u>	<u>10,692,272</u>
Ending	<u>\$20,212,589</u>	<u>\$21,546,485</u>

See Notes to Financial Statements.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
STATEMENTS OF CASH FLOWS (continued)

	Year ended June 30	
	2021	2020
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 2,450,490	\$ (1,519,059)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Provision for depreciation and amortization	2,558,600	2,556,794
(Gain) loss on sale of assets	(1,036)	3,054
Forgive note receivable	100,973	122,659
Change in assets, liabilities, deferred outflows and deferred inflows		
Patient receivables	(1,460,439)	284,240
Other current receivables	89,263	(69,496)
Inventories	(79,334)	(69,248)
Prepaid expenses	(30,185)	(73,813)
Notes receivable	(250,803)	(12,000)
Estimated third-party payor settlements	(262,000)	25,000
Pension related deferred outflows	(75,600)	541,826
Accounts payable, net of amounts for capital assets	419,347	(476,306)
Accrued employee compensation	293,552	741,813
Security deposits	(500)	(2,800)
Payroll taxes and withholdings	34,117	48,777
Deferred revenue	(29,345)	44,800
Pension related deferred inflows	(950,335)	953,632
Net pension liability	1,550,232	(742,018)
Net OPEB liability	—	6,730
OPEB related deferred outflows	—	1,015
Net cash provided by operating activities	<u>\$ 4,356,997</u>	<u>\$ 2,365,600</u>
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION		
Per statement of net position		
Current assets	\$15,560,969	\$16,735,948
Assets whose use is limited		
Designated by board for plant replacement and expansion	4,209,958	776,919
Restricted for payment of revenue notes and interest	392,624	3,984,577
Restricted by donors for specific purpose	<u>49,038</u>	<u>49,041</u>
Total per statements of cash flows	<u>\$20,212,589</u>	<u>\$21,546,485</u>
SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Increase (decrease) in beneficial interest in remainder trust	<u>\$ 1,349,000</u>	<u>\$ (9,000)</u>
Paycheck Protection Program loan forgiveness	<u>\$ 3,777,873</u>	<u>\$ —</u>

See Notes to Financial Statements.

Floyd Valley Hospital Foundation
(A Component Unit of Floyd Valley Hospital d/b/a Floyd Valley Healthcare)
STATEMENTS OF FINANCIAL POSITION

	June 30	
	2021	2020
ASSETS		
Interest in the net assets of Avera Health Investment Pool	\$2,694,758	\$1,669,507
Contributions receivable	353,250	453,250
Other receivables	<u>—</u>	<u>9,977</u>
Totals	<u>\$3,048,008</u>	<u>\$2,132,734</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ <u>—</u>	\$ <u>3,833</u>
NET ASSETS		
Without donor restrictions		
Designated by Board for endowment	93,712	79,889
Undesignated	2,137,449	1,185,365
With donor restrictions	<u>816,847</u>	<u>863,647</u>
Total net assets	<u>3,048,008</u>	<u>2,128,901</u>
Totals	<u>\$3,048,008</u>	<u>\$2,132,734</u>

See Notes to Financial Statements.

Floyd Valley Hospital Foundation
(A Component Unit of Floyd Valley Hospital d/b/a Floyd Valley Healthcare)
STATEMENTS OF ACTIVITIES

	Year ended June 30, 2021			Year ended June 30, 2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions	\$ 278,070	\$ 24,308	\$ 302,378	\$ 996,835	\$ 65,900	\$1,062,735
Special events	581,379	31,713	613,092	83,443	23,702	107,145
Investment gain	<u>288,123</u>	<u>80,103</u>	<u>368,226</u>	<u>(22,073)</u>	<u>(837)</u>	<u>(22,910)</u>
	1,147,572	136,124	1,283,696	1,058,205	88,765	1,146,970
Net assets released from restrictions						
Satisfaction of purpose	<u>182,924</u>	<u>(182,924)</u>	<u>—</u>	<u>83,103</u>	<u>(83,103)</u>	<u>—</u>
Total revenue and support	<u>1,330,496</u>	<u>(46,800)</u>	<u>1,283,696</u>	<u>1,141,308</u>	<u>5,662</u>	<u>1,146,970</u>
EXPENSES						
Program services						
Floyd Valley Hospital Employee Assistance	13,200	—	13,200	1,460	—	1,460
Capital Campaign	100,000	—	100,000	413	—	413
Helping hands	455	—	455	—	—	—
Pediatrics, cost of direct benefit to donors	65,638	—	65,638	8,153	—	8,153
Therapy services	746	—	746	—	—	—
Caring for life, cost of direct benefit to donors	178,746	—	178,746	46,250	—	46,250
Cancer services	1,046	—	1,046	70,350	—	70,350
Musson Scholarships	<u>520</u>	<u>—</u>	<u>520</u>	<u>1,100</u>	<u>—</u>	<u>1,100</u>
Total program services	<u>360,351</u>	<u>—</u>	<u>360,351</u>	<u>127,726</u>	<u>—</u>	<u>127,726</u>
Supporting service						
Administrative services	<u>4,238</u>	<u>—</u>	<u>4,238</u>	<u>2,693</u>	<u>—</u>	<u>2,693</u>
Total expenses	<u>364,589</u>	<u>—</u>	<u>364,589</u>	<u>130,419</u>	<u>—</u>	<u>130,419</u>
CHANGE IN NET ASSETS	965,907	(46,800)	919,107	1,010,889	5,662	1,016,551
NET ASSETS , beginning of year	<u>1,265,254</u>	<u>863,647</u>	<u>2,128,901</u>	<u>254,365</u>	<u>857,985</u>	<u>1,112,350</u>
NET ASSETS , end of year	<u>\$2,231,161</u>	<u>\$ 816,847</u>	<u>\$3,048,008</u>	<u>\$1,265,254</u>	<u>\$ 863,647</u>	<u>\$2,128,901</u>

See Notes to Financial Statements.

Floyd Valley Hospital Foundation
(A Component Unit of Floyd Valley Hospital d/b/a Floyd Valley Healthcare)
STATEMENTS OF CASH FLOWS

	Year ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 919,107	\$1,016,551
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions receivable	100,000	(27,782)
Other receivables	9,977	(9,977)
Accounts payable	(3,833)	2,150
Net cash provided by operating activities	<u>1,025,251</u>	<u>980,942</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase/redemption of the interest in the net assets of Avera Health Foundation	(1,025,251)	(980,942)
Net cash (used in) investing activities	<u>(1,025,251)</u>	<u>(980,942)</u>
NET CHANGE IN CASH	—	—
CASH		
Beginning	<u>—</u>	<u>—</u>
Ending	<u>\$ —</u>	<u>\$ —</u>

See Notes to Financial Statements.

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The Hospital is the municipal hospital of the City of Le Mars, Iowa, organized under Chapter 392, Code of Iowa, not subject to taxes on income or property. The Hospital is governed by a five member Board of Trustees elected for terms of four years. The Hospital grants credit to patients, substantially all of whom are city residents or reside in the immediate vicinity.

Reporting Entity

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions and authorities that are not legally separate. The Hospital has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Hospital. These criteria also include organizations that are fiscally dependent on the Hospital. Floyd Valley Hospital d/b/a Floyd Valley Healthcare has one component unit which meets the Governmental Accounting Standards Board criteria. This component unit is the Floyd Valley Hospital Foundation. The Foundation's financial statements are separately presented on pages 17-19.

The Hospital is includable as a component unit within the City of Le Mars, Iowa reporting entity due to fiscal dependence.

Measurement Focus and Basis of Accounting

The Hospital is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Hospital is better or worse off economically as a result of events and transactions of the period.

The financial statements have been prepared in accordance with accounting principles which are applicable to health care proprietary funds of a governmental entity. The Hospital uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

As required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification, the Foundation reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions are those assets that have no donor imposed stipulations. The Foundation's governing board may earmark portions of its net assets without donor restrictions as board designated for various purposes.

Net assets with donor restrictions represent contributions or other inflows of assets whose use by the Foundation is limited by donor imposed stipulations. As donor imposed stipulations expire, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Investments and Investment Income

The Hospital's investments are nonnegotiable certificates of deposit and are reported at cost.

The nonnegotiable certificates of deposit are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors.

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Investment Income (continued)

Investment income is reported as nonoperating gains.

Assets held by Avera Health Investment Pool by the Floyd Valley Hospital Foundation with readily determinable market values are stated at fair value. The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national and foreign securities exchanges.

The Foundation participates in the Avera Pooled Investment Fund, a fund administered by Avera Health. The Pooled Investment Fund has a portion of its holdings in alternative investments, which are not readily marketable. These alternative investments include partnerships and other interests that invest in hedge funds, real asset funds, and private equity/venture capital funds, among others. Certain alternative investments held within Avera Pooled Investment Fund include liquidity and redemption limitations. Alternative investments representing less than 3% ownership interest are carried at cost. Alternative investments representing greater than 3% ownership interest are recorded using the equity method. Investment income, including interest, dividends, realized gains and losses, and unrealized gains and losses are allocated to participants of the Avera Pooled Investment Fund. (See Note 20)

Revenue Recognition and Contributions Receivable

Contributions are recognized as revenue when the donor makes a promise to give to the Foundation which is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Unconditional contributions are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. An allowance for doubtful accounts is provided based upon management's judgment, including such factors as prior history and nature of the contribution.

Public support that is expected to be collected within one year is recorded at its net realizable value. Public support that is expected to be collected in future years is reported at fair value using present value techniques. The discount on those amounts is computed using an interest rate applicable in the year in which the contribution was received. All grants and contributions receivable as of June 30, 2021 are anticipated to be collected in the following year and, therefore, no discount has been recorded.

Inventories

Inventories are stated at cost, based on the first-in, first-out method.

Assets Whose Use is Limited

Assets whose use is limited consists primarily of funds designated by the Board of Trustees for the improvement, replacement, and expansion of capital assets. The Board retains control over these funds and may, at its discretion, subsequently use them for other purposes. Gifts and bequests whose use is restricted are also included in restricted assets.

Capital Assets

Capital assets acquisitions are recorded at cost. Capital assets donated for Hospital operations are recorded at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. The range of estimated useful lives applied by the Hospital is three to forth years.

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB Liability

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Hospital's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consists of the unamortized portion of the net difference between projected and actual earnings on IPERS' investments and OPEB plans.

Net Position

Net position is presented in the following three components:

Invested in capital assets

Invested in capital assets, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of the notes payable and construction payables that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

Restricted net position consists of funds restricted on which constraints have been externally imposed by creditors (such as through debt covenants) grantors, contributors, or laws or regulations of other governments.

Unrestricted net position

Unrestricted net position has no externally imposed restrictions on use.

When the Hospital has both restricted and unrestricted net position are available for use, it is the Hospital's policy to use restricted net position first.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Statements of Revenue, Expenses, and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Operating expenses are all expenses incurred to provide health care services.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Revenues, Expenses, and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Revenues and expenses reported as nonoperating include county tax revenues and other subsidies, interest income and expense, gain or loss on sale of assets, transfers from related foundation and contributions.

Credit Policy

The Hospital grants credit to patients.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Accounting Estimates and Assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value Measurements of Foundation Interest in Avera Health Investment Pool

The Foundation, based on information received from Avera Pooled Investment Fund, has determined the fair value of its interest in accordance with the provisions of The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification*, which provides a framework for measuring fair value under generally accepted accounting principles.

The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. It also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements of Foundation Interest in Avera Health Investment Pool (continued)

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Income Taxes

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosures in the financial statements. The Foundation is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress. Management believes the Foundation is no longer subject to income tax examinations for tax years prior to 2017.

Functional Expenses

The accompanying statements of activities report expenses on a natural classification, which for the Foundation, is reporting them a manner reflective of that of functional expense classification. The Foundation's program services and primarily directed towards supporting the Hospital and program expenses are all included under program services on the statements of activities. Administrative costs of the Foundation are segregated.

Liquidity

The Foundation monitors its liquidity so that it is able to meet its operating needs while maximizing the investment of its excess cash. The Foundation's financial assets available within one year of the statements of financial position date for general expenses are as follows:

	June 30	
	<u>2021</u>	<u>2020</u>
Interest in the net assets of Avera Health Insurance Pool	<u>\$2,231,161</u>	<u>\$1,269,087</u>

Subsequent Events

The Foundation has evaluated subsequent events through October 8, 2021, which was the date the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND INVESTMENTS

The Hospital's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district and common stocks.

As to interest rate risk, the Hospital's investment policy limits the investment of operating funds in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

NOTE 3 PATIENT RECEIVABLES

Patient accounts receivable reported as current assets consisted of these amounts:

	June 30	
	<u>2021</u>	<u>2020</u>
Receivable from patients	\$ 4,234,186	\$ 3,366,815
Receivable from insurance carriers	2,602,679	2,675,898
Receivable from Medicare	3,758,423	2,258,260
Receivable from Medicaid	<u>1,456,765</u>	<u>1,092,750</u>
Total patient receivables	12,052,052	9,393,723
Less allowances for contractual and other adjustments	<u>(5,592,594)</u>	<u>(4,394,704)</u>
Totals	<u>\$ 6,459,458</u>	<u>\$ 4,999,019</u>

NOTE 4 NOTES RECEIVABLE

The Hospital has entered into agreements with physicians, with amounts to be forgiven over specified periods.

The notes receivable at June 30, 2021, are expected to be received/forgiven as follows:

Year ending June 30,	
2022	\$ 87,000
2023	86,100
2024	62,700
2025	45,500
2026	44,803
Thereafter	<u>—</u>
Total	<u>\$ 326,103</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS AND CONSTRUCTION IN PROGRESS

A summary of changes in capital assets for the year ended June 30, 2021 and 2020 follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending June 30, 2021</u>
Land	\$ 185,160	\$ —	\$ —	\$ —	\$ 185,160
Land improvements	1,149,014	—	—	—	1,149,014
Buildings and fixed equipment	36,509,860	101,741	—	17,835	36,629,436
Major movable equipment	9,830,751	844,985	(171,771)	—	10,503,965
Intangible					
Medical records	252,633	—	—	—	252,633
Construction and equipment installations in progress	<u>5,731</u>	<u>824,463</u>	<u>—</u>	<u>(17,835)</u>	<u>812,359</u>
Totals	47,933,149	1,771,189	(171,771)	—	49,532,567
Less accumulated depreciation and amortization	<u>(22,705,153)</u>	<u>(2,558,600)</u>	<u>171,771</u>	<u>—</u>	<u>(25,091,982)</u>
Net capital assets	<u>\$25,227,996</u>	<u>\$ (787,411)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$24,440,585</u>

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending June 30, 2020</u>
Land	\$ 185,160	\$ —	\$ —	\$ —	\$ 185,160
Land improvements	1,149,014	—	—	—	1,149,014
Buildings and fixed equipment	36,115,856	—	—	394,004	36,509,860
Major movable equipment	9,312,630	413,963	(86,765)	190,923	9,830,751
Intangible					
Medical records	252,633	—	—	—	252,633
Construction and equipment installations in progress	<u>26,905</u>	<u>563,753</u>	<u>—</u>	<u>(584,927)</u>	<u>5,731</u>
Totals	47,042,198	977,716	(86,765)	—	47,933,149
Less accumulated depreciation and amortization	<u>(20,231,713)</u>	<u>(2,556,794)</u>	<u>83,354</u>	<u>—</u>	<u>(22,705,153)</u>
Net capital assets	<u>\$26,810,485</u>	<u>\$(1,579,078)</u>	<u>\$ (3,411)</u>	<u>\$ —</u>	<u>\$25,227,996</u>

Construction in progress consists of costs associated with the current installation of purchased medical equipment and initial costs associated with the planned specialty clinic and therapy building expansion and renovation project. This project is expected to add approximately 13,100 of additional square footage for clinic and therapy service space to the existing hospital. The total cost of the project is estimated at \$10,300,000 and it is anticipated to be completed during the fiscal year ending June 30, 2024. The Hospital is planning on securing, and then awarding, construction bids during late 2021. Financing of this building project is anticipated to consist of a combination of Hospital funds, commercial loan, and USDA Rural Development loan program proceeds of \$1,400,000; \$5,000,000 and \$8,300,000, respectively.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 6 ASSETS RESTRICTED FOR PAYMENT OF REVENUE NOTES AND INTEREST, AND PAYCHECK PROTECTION PROGRAM LOAN

Assets restricted for payment of revenue notes and interest are required to be funded by a note resolution. Following are the changes in these assets for the years ended June 30, 2021 and 2020.

	<u>Total</u>	<u>Reserve Fund</u>	<u>Sinking Fund</u>
Balance, June 30, 2019	\$ 376,301	\$ 176,928	\$ 199,373
Interest and principal payments	(198,500)	—	(198,500)
Other income	<u>3,806,776</u>	<u>66,348</u>	<u>3,740,428</u>
Balance, June 30, 2020	3,984,577	243,276	3,741,301
Other income (transfer)	<u>(3,591,953)</u>	<u>66,348</u>	<u>(3,658,301)</u>
Balance, June 30, 2021	<u>\$ 392,624</u>	<u>\$ 309,624</u>	<u>\$ 83,000</u>

NOTE 7 INVESTMENT IN NORTHWEST IOWA DIAGNOSTICS

The Hospital has a 44% investment interest in Northwest Iowa Diagnostics, an entity engaged in providing ultrasound technology staffing services. The investment is accounted for using the equity method. The Hospital has recorded its share of the entity's income (loss) of \$10,828 and \$17,872 for the years ended June 30, 2021 and 2020, respectively.

Northwest Iowa Diagnostics is an entity formed under chapter 28E of the Iowa Code. The Hospital is a contributing member. The Hospital leases two Hospital employees to provide services for Northwest Iowa Diagnostics. During the years ended June 30, 2021 and 2020, the Hospital received \$322,862 and \$314,887, respectively, in lease revenue from Northwest Iowa Diagnostics related to this agreement. The Hospital paid \$253,080 and \$244,125 to Northwest Iowa Diagnostics for ultrasound services rendered to the Hospital during the years ended June 30, 2021 and 2020, respectively. Separate financial statements of the entity can be obtained by contacting the Hospital's Director of Financial Services.

NOTE 8 INVESTMENT IN FLOYD VALLEY HOME MEDICAL EQUIPMENT

The Hospital has a 50% investment interest in Floyd Valley Home Medical Equipment, an entity engaged in the sale and implementation of medical equipment for home use. Floyd Valley Home Medical Equipment is an entity formed under chapter 28E of the Iowa Code. The Hospital is a contributing member. The investment is accounted for using the equity method. The Hospital has recorded its share of the entity's income of \$106,256 and \$102,982 for the years ended June 30, 2021 and 2020, respectively.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 9 LONG-TERM DEBT

The City of Le Mars, Iowa entered into loan agreements for the purpose of providing funds to the Hospital to finance improvements to expand and remodel portions of the Hospital's existing facilities and to refund the Series 2002 notes. The loan agreements will not constitute general obligations of the City, nor will they be payable in any manner by taxation, but will be payable solely and only from the net revenues of the Hospital. The loan agreements provide for the following:

	Outstanding June 30	
	2021	2020
Revenue Bonds		
<ul style="list-style-type: none"> The City of LeMars, Iowa (the City) and the Hospital entered into a loan agreement dated November 17, 2016 with the USDA. The USDA loaned to the City and the Hospital the sum of \$15,750,000 and the City issued the Series 2016 Bonds to be repaid by the Hospital. The bonds will bear interest at the rate of 2.375% annually. Monthly payments are to be made in the amount of \$55,256 with the final payment due November 2051. 	\$14,313,573	\$14,631,250
<ul style="list-style-type: none"> Series 2013B Hospital Revenue Bond in the total amount of \$5,250,000. The funds are to be used to pay a portion of the project costs and to refund the Series 2002 notes. The loan has an interest rate of 2.31% and is payable in monthly installments of \$29,092 through November 2036. 	<u>4,289,685</u>	<u>4,512,803</u>
Totals	18,603,258	19,144,053
Less current maturities	<u>560,148</u>	<u>534,845</u>
Total long-term debt	<u>\$18,043,110</u>	<u>\$18,609,208</u>

As to the above Hospital Revenue Bonds, the Hospital has pledged all future revenues, net of certain operating expenses, to repay the principal and interest. The net revenues are pledged through November 2051. As of June 30, 2021 the remaining principal and interest on the Bonds was \$25,539,678. Following is a comparison of the pledged net revenues and the principal and interest requirements of the bonds for the years ended June 30, 2021 and 2020:

	2021	2020
Change in net position	\$6,275,500	\$ 912,532
Provision for depreciation and amortization	2,558,600	2,556,794
Interest and amortization expense	<u>496,432</u>	<u>499,288</u>
Pledged net revenues	<u>\$9,330,532</u>	<u>\$3,968,614</u>
Principal and interest requirements	<u>\$1,019,484</u>	<u>\$1,012,182</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 9 LONG-TERM DEBT (continued)

Scheduled principal and interest repayments on the revenue bonds are as follows:

<u>Year ending June 30</u>	<u>Revenue Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 560,148	\$ 463,127	\$ 1,023,275
2023	563,647	448,534	1,012,181
2024	578,633	433,548	1,012,181
2025	594,023	418,159	1,012,182
2026	609,827	402,354	1,012,181
2027-2031	3,301,538	1,759,369	5,060,907
2032-2036	3,765,790	1,294,118	5,059,908
2037-2041	2,565,320	877,175	3,442,495
2042-2046	2,746,494	568,855	3,315,349
2047-2052	<u>3,364,470</u>	<u>224,549</u>	<u>3,589,019</u>
Totals	18,649,890	<u>\$6,889,788</u>	<u>\$25,539,678</u>
Less current maturities	560,148		
Less unamortized discount	<u>46,632</u>		
Total long-term debt	<u>\$18,043,110</u>		

The resolutions require, among other things, the maintenance of a "Sinking Fund" and "Debt Service Reserve Fund", (See Note 7). Monthly transfers are to be made to the Sinking Fund sufficient to pay the principal and interest due on the bonds on the next payment date on the bonds as required. Payments to the Debt Service Reserve Fund are to be monthly payments of \$5,529 until a total of \$663,396 has accumulated.

The Hospital is planning on refinancing the Series 2013B revenue bonds during the fiscal year ending June 30, 2022 with a commercial bank. The new terms will be based upon a five-year fixed rate with twenty-year amortization at 2.4%, subject to periodic rate adjustments, based on the Federal Home Loan Bank of Des Moines five year amortizing advance rate plus 1.3%.

Long-term debt activity for the years ended June 30, 2021 and 2020 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
2021					
Hospital revenue bond – Series 2016	\$14,631,250	\$ –	\$ 317,677	\$14,313,573	\$ 325,739
Hospital revenue bond – Series 2013B	<u>4,512,803</u>	<u>–</u>	<u>223,118</u>	<u>4,289,685</u>	<u>234,409</u>
Totals	<u>\$19,144,053</u>	<u>\$ –</u>	<u>\$ 540,795</u>	<u>\$18,603,258</u>	<u>\$ 560,148</u>
2020					
Hospital revenue bond – Series 2016	\$14,941,478	\$ –	\$ 310,228	\$14,631,250	\$ 318,101
Hospital revenue bond – Series 2013B	<u>4,722,290</u>	<u>–</u>	<u>209,487</u>	<u>4,512,803</u>	<u>216,744</u>
Totals	<u>\$19,663,768</u>	<u>\$ –</u>	<u>\$ 519,715</u>	<u>\$19,144,053</u>	<u>\$ 534,845</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 10 CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Charges foregone, based on established rates	\$ <u>226,947</u>	\$ <u>222,624</u>
Equivalent percentage of charity care patients to all patients served	<u>.3%</u>	<u>.4%</u>

NOTE 11 PENSION PLAN

Plan Description

IPERS is a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System. Membership is mandatory for employees of the Hospital, except for those covered by another retirement system. IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 11 PENSION PLAN (continued)

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal years 2021 and 2020, pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Hospital contributed 9.44 percent for a total rate of 15.73 percent, respectively.

The Hospital's contributions to IPERS for the years ended June 30, 2021 and 2020 were \$1,426,798 and \$1,325,670, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2021 and 2020, the Hospital reported a liability of \$12,117,300 and \$10,567,068, respectively, for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the Hospital's proportionate share:

	Measurement Date		Change
	June 30		
	2020	2019	
Hospital's proportionate share	<u>0.172494%</u>	<u>0.182485%</u>	<u>(0.009990)%</u>

For the years ended June 30, 2021 and 2020, the Hospital recognized pension expense of \$1,951,076 and \$2,079,110, respectively. At June 30, 2021 and 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 11 PENSION PLAN (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (continued)

	Pension Related Deferred			
	Outflows of Resources		Inflows of Resources	
	2021	2020	2021	2020
Difference between expected and actual experience	\$ 13,386	\$ 29,295	\$ 28,210	\$ 379,937
Change in assumptions	621,975	1,131,884	—	—
Net difference between projected and actual earnings on pension plan investments	681,183	—	258,968	1,190,781
Change in proportion and difference between Health Center contributions and proportionate share of contributions	281,725	462,619	420,022	86,837
Hospital contributions subsequent to the measurement date	<u>1,426,798</u>	<u>1,325,670</u>	<u>—</u>	<u>—</u>
Totals	<u>\$3,025,068</u>	<u>\$2,949,468</u>	<u>\$ 707,200</u>	<u>\$1,657,555</u>

\$1,426,798 reported as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Regular Members</u>
2022	\$ 172,643
2023	247,714
2024	194,805
2025	320,513
2026	<u>(44,605)</u>
Totals	<u>\$ 891,070</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	2.60% per annum
Rate of salary increase	3.25% to 16.25%, average, including inflation
Wage Growth Rate	3.25% per annum, based on 2.6% inflation and 0.65% real wage inflation
Long-term investment rate of return	7% compounded annually, net of investment expense, Including inflation

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 11 PENSION PLAN (continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2019.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28.0%	(0.29)%
Domestic equity	22.0	4.43
International equity	17.5	5.15
Private equity	11.0	6.54
Private credit	3.0	3.11
Global smart beta equity	6.0	4.87
Public credit	4.0	2.29
Private real assets	7.5	4.48
Cash	<u>1.0</u>	(0.78)
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was seven percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Hospital will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 11 PENSION PLAN (continued)

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Hospital's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate.

	<u>1% Decrease (6%)</u>	<u>Discount Rate (7%)</u>	<u>1% Increase (8%)</u>
Hospital's proportionate share of the net pension liability – June 30, 2021	\$ <u>20,204,500</u>	\$ <u>12,117,300</u>	\$ <u>5,336,000</u>
	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Hospital's proportionate share of the net pension liability – June 30, 2020	\$ <u>18,763,702</u>	\$ <u>10,567,068</u>	\$ <u>3,691,822</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

At June 30, 2021 and 2020, the Hospital reported payables to the defined benefit pension plan of approximately \$258,000 and \$233,000, respectively, for legally required employee and employer contributions not yet remitted to IPERS.

NOTE 12 EMPLOYEE BENEFITS

The Hospital has a self-insured health insurance program for all employees. Claims for health care services covered under the program for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$75,000 per person and approximately \$3,959,000 in the aggregate. Expense under this self-insurance program for the years ended June 30, 2021 and 2020 approximated \$2,943,000 and \$2,888,000, respectively, which includes program administration expenses.

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 OTHER POST EMPLOYMENT BENEFITS

Plan Description

The Hospital administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by the Hospital and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	—
Active employees	<u>262</u>
Total	<u>262</u>

Net OPEB Liability

The Hospital's Net OPEB liability of \$80,243 was measured at both June 30, 2021 and 2020, and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The Net OPEB liability as of June 30, 2021 was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	3% per year
Rates of salary increase	4% per year
Discount rate	2.16% per annum
Healthcare cost trend rate	5% per year

The discount rate used to measure the Net OPEB liability was 2.16% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates were based on the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP 2020 generational projection of future mortality improvement.

The future retiree participation rate was assumed to be 5% and the initial spouse participation rate was assumed to be 25% for males and females.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 14 CONTINGENCIES

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Coverage limits are \$1,000,000 per claim and \$3,000,000 in the aggregate.

The Hospital is from time to time subject to claims and suits alleging malpractice. In the opinion of management, the ultimate cost, if any, related to the resolution of such pending legal proceedings will be within the limits of insurance coverage and, accordingly, will not have a significant effect on the financial position or the results of operations of the Hospital.

Incidents occurring through June 30, 2021 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 15 NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare and Medicaid

The Hospital is designated a Critical Access Hospital. As a Critical Access Hospital, most services to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Iowa Medicaid Program has transitioned management of the program to managed care organizations. As a result, the Hospital is reimbursed using rates which are prospectively set by contracts with managed care organizations and is no longer subject to a final settlement based on actual costs incurred. The Hospital's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by peer review organizations. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2018.

Other

The Hospital has payment agreements with Wellmark, other commercial insurance carriers and health maintenance organizations. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

NOTE 16 HOSPITAL RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance purchased from independent third parties. The Hospital assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 17 SPLIT INTEREST AGREEMENT ON CHARITABLE TRUSTS

Charitable remainder unitrust are arrangements between a donor, who establishes the trust, and the Hospital as beneficiary. The donor contributes assets to the trust in exchange for a promise from the trust to pay the donor the lesser of a fixed percentage amount of 5% of net fair value of the assets of the trust or trust income, for the life of the donor. Assets received are recognized at fair value. Unrestricted contribution revenue is recognized at the same value because trust income and expense are expected to be the same. The present value of the charitable remainder unitrust, is calculated using the 2003 life expectancy tables (published by the National Center of Health Statistics) and a 6% discount rate. The fair market value of the trust is valued using independent appraisals on the underlying assets at the time of donor's death.

The Hospital is a party of a split-interest agreement. The Hospital reports separately the fair value of the assets of the split-interest agreement in its balance sheet and a change in value of \$1,349,000 and \$(9,000) for the years ended June 30, 2021 and 2020, respectively, from the split-interest agreement in its statements of revenues, expenses and changes in net position. The change in value of the trust was determined using a current independent appraisal on the trust's asset at June 30, 2021, which consists of farmland located near the Hospital, as the donor died during the fiscal year ended June 30, 2021. The Hospital has been transferred ownership of the farmland upon trust disposition and plans on selling the farmland at public auction during 2021.

NOTE 18 FLOYD VALLEY HOSPITAL FOUNDATION

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital's management has determined that the Floyd Valley Hospital Foundation is a component unit of the Hospital. The Floyd Valley Hospital Foundation was established to raise funds to support the operations and other activities of the Floyd Valley Hospital. And as such, the Foundation is considered to be a component unit of the Hospital based on the related benefits to the Hospital. The Foundation's audited statement of financial position as of June 30, 2021 and 2020, and audited statements of activities and cash flows for the year then ended, are included on pages 17-19.

NOTE 19 ASSETS HELD AT THE AVERA HEALTH FOUNDATION

The Floyd Valley Hospital Foundation (FVHF) has transferred assets to the Avera Health (AH) to be part of a common investment fund, Avera Health Pooled Investments (AHPI).

Amounts reported in the statement of financial position of FVHF as interest in the net assets of AHPI represents the net cumulative transfers by FVHF to AHPI as well as earnings net of disbursements. Distributions may be requested from time to time from the investment fund to meet the requirements FVHF has established for its charitable, educational or scientific purposes. Generally, FVHF can request payment for all or any part of its funds upon thirty day notice to AH.

The assets transferred to AHPI are invested in a pooled investment fund at the direction of AHPI Committee. The objective of the fund is optimum total return consistent with a high degree of liquidity and reasonable safety of principal. Avera Health Pooled Investments includes investments in securities that are measured at fair value using inputs under the guidance provided by The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification*. Avera Health Pooled Investments also includes investments that are recorded at historic cost, subject to an annual impairment test, or under the equity method as described in the investment policy.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 19 ASSETS HELD AT THE AVERA HEALTH FOUNDATION (continued)

Investment income, realized and unrealized gains and losses, of the investment pool are allocated to the FVHF based on the pooled assets value. Allocation of investment income is as follows for the year ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Interest, dividends and net realized gains and losses	\$ 99,009	\$ 18,220
Net unrealized gains (losses)	<u>269,217</u>	<u>(41,130)</u>
Investment gain (loss)	<u>\$ 368,226</u>	<u>\$ (22,910)</u>

NOTE 20 FLOYD VALLEY HOSPITAL FOUNDATION NET ASSETS

Net assets with donor restrictions are available for the following purposes at June 30, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
Medical records equipment	\$ 1,389	\$ 1,389
Capital campaign	373,589	460,178
Pediatric equipment	60,561	81,594
Employee assistance and services	144,989	86,936
EMS training scholarship and endowment	233,539	230,789
Park Place Estates	<u>2,780</u>	<u>2,761</u>
	<u>\$ 816,847</u>	<u>\$ 863,647</u>

NOTE 21 ENDOWMENT

The Foundation's endowment funds consist of Board designated assets and net assets with donor restrictions, which are available for a variety of purposes.

The Foundation has adopted the practice of preserving the fair value of the original gift as of the gift date of the permanently restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. Use of the investment income from the assets may be unrestricted and used as the Foundation deems necessary for the purposes for which the original restricted gift was received. Currently, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 21 ENDOWMENT (continued)

From time to time, the fair value of assets associated with donor-restricted funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2021 and 2020 the Foundation did not have a deficiency in donor-restricted funds.

	Year ended June 30, 2021			Year ended June 30, 2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 79,889	\$ 863,647	\$ 943,536	\$ 80,540	\$ 857,985	\$ 938,525
Investment return						
Investment income	14,324	80,103	94,427	(464)	(837)	(1,301)
Contributions and special events	—	55,520	55,520	—	89,602	89,602
Appropriation of endowment assets						
For expenditure	<u>(501)</u>	<u>(182,423)</u>	<u>(182,924)</u>	<u>(187)</u>	<u>(83,103)</u>	<u>(83,290)</u>
Endowment assets, end of year	<u>\$ 93,712</u>	<u>\$ 816,847</u>	<u>\$ 910,559</u>	<u>\$ 79,889</u>	<u>\$ 863,647</u>	<u>\$ 943,536</u>

NOTE 22 CONTRIBUTIONS RECEIVABLE

As of June 30, 2021 and 2020, the Foundation's contributions receivable consists of promises to give to assist in funding the Hospital's expansion and renovation project. The Foundation has not recorded an allowance for uncollectible receivables as of June 30, 2021 and 2020 as it is estimated that all amounts will be collected.

A summary of activity for the years ended June 30, 2021 and 2020 is as follows:

	June 30	
	2021	2020
Contributions receivable, beginning of year	\$ 453,250	\$ 425,468
Contributions made during the year		
Payments received	(100,000)	(2,000)
Change in discount on receivables	<u>—</u>	<u>29,782</u>
Contributions receivable, end of year	<u>\$ 353,250</u>	<u>\$ 453,250</u>

As of June 30, 2021, the pledges are expected to be received in the following periods:

In one year or less	\$ 102,000
Between one and five years	<u>251,250</u>
Total	<u>\$ 353,250</u>

NOTE 23 CMS ADVANCED PAYMENTS AND COVID-19 PROVIDER RELIEF FUNDS

During the year ended June 30, 2020, the Hospital received \$5,670,000 from the U.S. Department of Health and Human Services, HHS, in accordance with accelerated payment provisions of the Coronavirus Aid, Relief, and Economic Security, Cares Act, accelerated payment program. These funds were refunded during April 2021.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 23 CMS ADVANCED PAYMENTS AND COVID-19 PROVIDER RELIEF FUNDS (continued)

The Hospital received \$4,739,492 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS) during the previous year. The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to COVID-19 and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to COVID-19. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.

These funds are considered subsidies and recorded as a liability when received and are recognized as nonoperating revenues in the accompanying statements of revenues, expenses, and changes in net position as all terms and conditions are considered met. The terms and conditions are subject to interpretation and future clarification. In addition, this program is subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. As of June 30, 2021, the Hospital had a liability of \$4,348,332, which was included in current liabilities on the accompanying statement of net position.

NOTE 24 PAYCHECK PROTECTION PROGRAM LOAN

The Hospital was granted a \$3,735,200 loan during the previous year under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the SBA. The Hospital was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan was forgiven on June 14, 2021 and the Hospital recognized \$3,735,200 of income related to loan principal and \$42,673 related to loan interest.

REQUIRED SUPPLEMENTARY INFORMATION

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
Schedule of Comparative Budgetary Reporting
Year ended June 30, 2021

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. The Hospital annually adopts a budget and presents it to the City Council for inclusion in the City's annual budget, which is adopted following required public notice and hearings for all funds. The City's annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The Hospital prepares its annual budget on a basis (budget basis) which differs from generally accepted accounting principles (GAAP basis). The major differences between budget and GAAP basis is that interest expense, property and equipment additions, and debt service principal amounts are included in operating expenditures on the budget basis.

The following is a comparison of reported expenses to budget:

	<u>Operating expenses (GAAP basis)</u>	<u>Budget basis adjustment</u>	<u>Budget basis</u>	<u>Budgeted amounts</u>	<u>Amount over (under) budget</u>
Year ended June 30, 2021 totals	<u>\$46,087,363</u>	<u>\$2,812,637</u>	<u>\$48,900,000</u>	<u>\$51,300,000</u>	<u>\$(2,400,000)</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF CHANGES IN THE HOSPITAL'S NET OPEB LIABILITY, RELATED RATIOS AND NOTES
Required Supplementary Information
Year ended June 30, 2021

	<u>Year ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Service cost	\$ 6,176	\$ 5,380
Interest cost	1,724	2,737
Benefit payments	<u>(7,900)</u>	<u>(1,387)</u>
Net change in Net OPEB liability	-	6,730
Net OPEB liability, beginning of year	<u>80,243</u>	<u>73,513</u>
Net OPEB liability, end of year	<u>\$ 80,243</u>	<u>\$ 80,243</u>
Covered-employee payroll	<u>\$15,994,659</u>	<u>\$14,842,178</u>
Net OPEB liability as a percentage of covered-employee payroll	.50%	.54%

Notes to Schedule

Changes in benefit terms

There were no significant changes in benefit terms.

Changes in assumptions or other inputs

Changes in assumptions or other inputs reflect the effects of changes in the discount rate each period.
The following is the discount rate used for the period.

Year ended June 30, 2020	3.50%
Year ended June 30, 2021	2.16%

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	Year ended June 30						
	2021	2020	2019	2018	2017	2016	2015
Hospital's proportion of the net pension liability	.172494%	.182485%	.178708%	.170337%	.173982%	.167890%	.171368%
Hospital's proportionate share of the net pension liability	\$12,117	\$10,567	\$11,309	\$11,347	\$10,949	\$8,295	\$6,796
Hospital's total payroll	\$16,000	\$14,800	\$14,600	\$14,000	\$13,300	\$12,500	\$11,767
Hospital's proportionate share of the net pension liability as a percentage of its total payroll	76%	71%	78%	81%	82%	66%	58%
Plan fiduciary net position as a percentage of the total pension liability	83%	85%	83%	82%	81%	85%	88%

See accompanying notes to required supplementary information - pension liability.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF HOSPITAL PENSION CONTRIBUTIONS
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	Year ended June 30			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 1,427	\$ 1,326	\$ 1,316	\$ 1,199
Contributions in relation to the statutorily required contribution	<u>1,427</u>	<u>1,326</u>	<u>1,316</u>	<u>1,199</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
Hospital's total payroll	\$16,000	\$14,800	\$14,600	\$14,000
Contributions as a percentage of total payroll	8.9%	9.0%	9.0%	8.6%

See accompanying notes to required supplementary information - pension liability.

Year ended June 30					
<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 1,138	\$ 1,116	\$ 1,031	\$ 1,004	\$ 953	\$ 854
<u>1,138</u>	<u>1,116</u>	<u>1,031</u>	<u>1,004</u>	<u>953</u>	<u>854</u>
\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
\$13,300	\$12,500	\$11,767	\$11,417	\$11,242	\$10,747
8.6%	8.9%	8.8%	8.8%	8.5%	8.0%

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2021

CHANGES OF BENEFIT TERMS

There were no significant changes in benefit terms.

CHANGES OF ASSUMPTIONS

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted to probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2019:

- Decreased in inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.



INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Floyd Valley Hospital
d/b/a Floyd Valley Healthcare
Le Mars, Iowa

We have audited the financial statements of Floyd Valley Hospital d/b/a Floyd Valley Healthcare as of and for the years ended June 30, 2021 and 2020, and our report thereon dated October 8, 2021, which expressed an unmodified opinion on those financial statements, appears on pages 4 and 5. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 8, 2021

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
ANALYSIS OF PATIENT RECEIVABLES**

Age of accounts (by date of discharge)	Amounts		Percent to total	
	June 30		June 30	
	2021	2020	2021	2020
0 - 60 days	\$ 7,399,345	\$ 6,082,674	61.39%	64.75%
61 - 90 days	1,037,397	339,946	8.61	3.62
91 - 180 days	1,639,917	1,139,344	13.61	12.13
Over 6 months	<u>1,975,393</u>	<u>1,831,759</u>	<u>16.39</u>	<u>19.50</u>
Totals	<u>12,052,052</u>	<u>9,393,723</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Uncollectible accounts	1,587,947	1,457,144		
Contractual allowances	<u>4,004,647</u>	<u>2,937,560</u>		
Total allowances	<u>5,592,594</u>	<u>4,394,704</u>		
Totals	<u>\$ 6,459,458</u>	<u>\$ 4,999,019</u>		

ANALYSIS OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

	Year ended June 30	
	2021	2020
BALANCE , beginning	\$1,457,144	\$1,538,547
ADD		
Provision for bad debts	1,076,630	1,297,875
Recoveries of accounts previously written off	279,909	244,493
LESS		
Accounts written off	<u>(1,225,736)</u>	<u>(1,623,771)</u>
BALANCE , ending	<u>\$1,587,947</u>	<u>\$1,457,144</u>

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
INVENTORIES**

	June 30	
	<u>2021</u>	<u>2020</u>
General stores	\$ 234,170	\$ 209,311
Pharmacy	251,076	222,486
Operating room	93,627	68,756
Intravenous solutions	<u>8,326</u>	<u>7,312</u>
Totals	<u>\$ 587,199</u>	<u>\$ 507,865</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
INSURANCE COVERAGE
(Unaudited)

Avera (policy expiration December 31, 2021)

Professional liability	\$1,000,000/3,000,000
General liability	\$1,000,000/3,000,000
Employee benefits liability	\$1,000,000/3,000,000

Physicians Umbrella/shared event limit	\$35,000,000
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Automobiles

Liability	\$1,000,000
Physical damage	\$500 deductible
Uninsured/under insured motorist	\$1,000,000
Medical payments	\$5,000

Directors' and officers' liability	\$5,000,000/\$15,000,000
Retention	\$50,000

Employee dishonesty liability	\$1,500,000
	\$25,000 deductible

Employed physician's liability	\$1,000,000/3,000,000
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Commercial property

Real property	\$46,255,904
Personal property	\$12,985,185
Earnings and extra expense	\$30,256,593
	\$10,000 deductible

Network Security

Shared limit	\$20,000,000
Retention	\$250,000

National Insurance Company (policy expiration November 1, 2021)

Workers' compensation	Statutory
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The summary of insurance coverage is presented on the basis of information obtained from policies on file at the Hospital.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
PATIENT SERVICE REVENUE
Year ended June 30, 2021, with comparative totals for 2020

	2021			2020
	Inpatients	Outpatient	Total	Total
DAILY PATIENT SERVICES				
Medical, surgical and obstetric	\$3,429,485	\$ —	\$ 3,429,485	\$ 3,119,500
Long term care	446,290	—	446,290	536,250
Nursery	171,550	—	171,550	140,160
	<u>4,047,325</u>	<u>—</u>	<u>4,047,325</u>	<u>3,795,910</u>
OTHER NURSING SERVICES				
Operating and recovery rooms	1,258,385	5,375,125	6,633,510	5,830,843
Delivery and labor room	324,904	100,243	425,147	300,171
Central service and supply	718,605	2,016,364	2,734,969	2,225,416
Emergency service	249,420	10,538,772	10,788,192	9,691,810
Home health services	—	1,471,468	1,471,468	1,343,967
	<u>2,551,314</u>	<u>19,501,972</u>	<u>22,053,286</u>	<u>19,392,207</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	924,277	7,830,083	8,754,360	7,589,573
Electrocardiology	37,445	1,032,829	1,070,274	1,073,236
Radiology	326,841	11,137,882	11,464,723	10,057,501
Pharmacy	922,804	3,404,728	4,327,532	3,064,079
Anesthesiology	376,529	1,888,973	2,265,502	2,015,437
Respiratory therapy	179,056	112,116	291,172	267,273
Physical therapy	218,265	1,925,656	2,143,921	1,928,999
Occupational therapy	63,423	310,819	374,242	297,976
Speech therapy	29,828	529,465	559,293	517,612
Enterostomy	56,718	525,756	582,474	646,239
Audiology	1,530	150	1,680	1,440
Clinics	—	12,069,024	12,069,024	11,351,281
Cardiac rehabilitation	—	239,750	239,750	211,680
Behavioral Health	—	923,415	923,415	81,380
	<u>\$3,136,716</u>	<u>\$41,930,646</u>	<u>45,067,362</u>	<u>39,103,706</u>
Totals			71,167,973	62,291,823
Charity care charges foregone, based on established rates			(226,947)	(222,624)
Total gross patient service revenue			70,941,026	62,069,199
Provisions for contractual and other adjustments			(28,415,727)	(26,041,206)
Net patient service revenue			<u>\$42,525,299</u>	<u>\$36,027,993</u>

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
PROVISION FOR CONTRACTUAL AND OTHER ADJUSTMENTS**

	Year ended June 30	
	<u>2021</u>	<u>2020</u>
Contractual adjustments	\$27,079,115	\$24,484,402
Employee and other allowances	259,982	258,929
Provision for bad debts	<u>1,076,630</u>	<u>1,297,875</u>
Totals	<u>\$28,415,727</u>	<u>\$26,041,206</u>

OTHER REVENUE

	Year ended June 30	
	<u>2021</u>	<u>2020</u>
Cafeteria	\$ 153,995	\$ 131,301
Rental income	91,916	107,571
Park Place Estates	1,210,537	1,417,784
Pharmacy 340b program	3,458,915	2,271,690
Other	<u>1,097,191</u>	<u>832,297</u>
Totals	<u>\$6,012,554</u>	<u>\$4,760,643</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
EXPENSES
Year ended June 30, 2021, with comparative totals for 2020

	2021			2020
	Salaries	Other	Total	Total
NURSING SERVICE				
Nursing administration	\$ 258,440	\$ 302	\$ 258,742	\$ 279,453
Medical and surgical	1,689,738	174,181	1,863,919	1,715,095
Nursery	43,334	14,312	57,646	50,718
Operating room	562,230	842,219	1,404,449	1,346,303
Delivery and labor room	96,908	11,234	108,142	92,045
Central service and supply	163,846	1,426,169	1,590,015	1,385,563
Emergency and outpatient service	1,217,673	1,805,502	3,023,175	2,871,851
Home health	794,830	311,104	1,105,934	988,427
Total nursing service	<u>4,826,999</u>	<u>4,535,023</u>	<u>9,412,022</u>	<u>8,729,455</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	895,907	1,478,813	2,374,720	2,025,599
Electrocardiology	13,732	98,570	112,302	115,469
Radiology	1,768,486	1,143,937	2,912,423	2,604,414
Pharmacy	293,655	2,999,850	3,293,505	2,301,476
Anesthesiology	—	815,074	815,074	735,263
Respiratory therapy	154,082	9,319	163,401	128,680
Physical therapy	165,968	1,087,322	1,253,290	1,129,760
Occupational therapy	—	207,005	207,005	163,923
Occupational health	10,674	160	10,834	10,015
Floyd Valley Home Medical Equipment	—	152	152	167
Speech therapy	302,476	7,986	310,462	318,418
Enterostomy	190,507	8,070	198,577	196,338
Audiology	32	1,970	2,002	2,477
Clinics	3,476,480	3,912,642	7,389,122	6,916,569
Cardiac rehabilitation	47,276	966	48,242	45,903
Behavioral health	—	456,603	456,603	206,602
Infection control	29,401	2,336	31,737	51,859
Utilization and Quality assistance	99,610	9,323	108,933	113,046
Health information management	96,864	199,707	296,571	269,094
Social services	69,878	—	69,878	71,351
Total other professional service	<u>7,615,028</u>	<u>12,439,835</u>	<u>20,054,833</u>	<u>17,406,423</u>
GENERAL SERVICE				
Dietary	473,599	425,167	898,766	843,485
Plant engineering	268,254	482,682	750,936	723,933
Housekeeping	305,377	47,923	353,300	335,556
Laundry	—	101,540	101,540	87,139
Total general service	<u>1,047,230</u>	<u>1,057,312</u>	<u>2,104,542</u>	<u>1,990,113</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
EXPENSES (continued)
Year ended June 30, 2021, with comparative totals for 2020

	2021			2020
	Salaries	Other	Total	Total
FISCAL AND ADMINISTRATIVE SERVICE AND UNASSIGNED EXPENSES				
Administrative service	\$ 224,188	\$ 1,134,270	\$ 1,358,458	\$ 1,423,716
Business office	1,131,778	405,594	1,537,372	1,396,517
Data processing	128,048	1,124,007	1,252,055	1,136,320
Human resources	178,832	121,542	300,374	272,564
Risk management	72,826	171,671	244,497	236,750
Education	119,452	28,261	147,713	147,984
Foundation	52,904	—	52,904	51,705
Park Place Estates	597,374	134,899	732,273	637,569
Payroll taxes	—	3,048,043	3,048,043	3,098,649
Group health and life insurance	—	2,943,474	2,943,474	2,888,437
Life and disability insurance	—	190,766	190,766	183,969
Insurance	—	149,407	149,407	150,730
Total fiscal and administrative service and unassigned expenses	<u>2,505,402</u>	<u>9,451,934</u>	<u>11,957,336</u>	<u>11,624,910</u>
PROVISION FOR DEPRECIATION	<u>—</u>	<u>2,558,600</u>	<u>2,558,600</u>	<u>2,556,794</u>
Total expenses	<u>\$15,994,659</u>	<u>\$30,092,704</u>	<u>\$46,087,363</u>	<u>\$42,307,695</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
COMPARATIVE STATISTICS
(Unaudited)

	Year ended June 30	
	<u>2021</u>	<u>2020</u>
PATIENT DAYS		
Acute	1,622	1,489
Nursery	235	192
Swing bed		
Skilled nursing care	536	638
Intermediate care	<u>13</u>	<u>28</u>
Totals	<u>2,406</u>	<u>2,347</u>
 ADMISSIONS	546	516
DISCHARGES	555	510
AVERAGE LENGTH OF STAY, acute	2.92	2.92
 BEDS	25	25
OCCUPANCY PERCENT, ACUTE	17.78%	16.27%
 NET PATIENT SERVICE REVENUE PER CALENDAR DAY	\$116,508	\$98,437
 NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES AT END OF YEAR	55	51



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Floyd Valley Hospital d/b/a Floyd Valley Healthcare
and Floyd Valley Hospital Foundation
LeMars, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Floyd Valley Hospital d/b/a Floyd Valley Healthcare and its component unit, Floyd Valley Hospital Foundation, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Floyd Valley Hospital's and its component unit's basic financial statements, and have issued our report thereon dated October 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's and Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's and Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's and Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's and Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's and Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Hospital's and Foundation's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital and Foundation. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's and Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's and Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 8, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Floyd Valley Hospital d/b/a Floyd Valley Healthcare
LeMars, Iowa

Report on Compliance for Each Major Federal Program

We have audited Floyd Valley Hospital d/b/a Floyd Valley Healthcare's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended June 30, 2021. The Hospital's major federal programs are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Hospital's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Hospital's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hospital's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the combined financial statements of Floyd Valley Hospital d/b/a Floyd Valley Healthcare and Floyd Valley Hospital Foundation as of and for the year ended June 30, 2021, and have issued our report thereon dated October 8, 2021, which contained an unmodified opinion on those combined financial statements. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2, U.S. Code of Regulations, Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the combined financial statements as a whole.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
March 26, 2022

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Health and Human Services				
Direct				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (COVID-19)	93.498			\$4,060,663
Indirect				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Iowa Department of Public Health	6NU50CK000504-01-0	177,500
Small Rural Hospital Improvement Grant Program (COVID-19)	93.301	Iowa Department of Public Health	H3JRH37449-0100	2,492
National Bioterrorism Hospital Preparedness Program (COVID-19)	93.889	Iowa Hospital Association	EP-U3R-20-001	9,875
National Bioterrorism Hospital Preparedness Program (COVID-19)	93.889	Iowa Department of Public Health	5886BT334	<u>10,625</u>
Total U.S. Department of Health and Human Services				<u>4,261,155</u>
Unites States Department of Treasury				
Indirect				
Coronavirus Relief Fund (COVID-19)	21.019	Iowa Economic Development Authority	N/A	<u>46,487</u>
Total federal awards				<u>\$4,307,642</u>

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Floyd Valley Hospital d/b/a Floyd Valley Healthcare under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Floyd Valley Hospital d/b/a Floyd Valley Healthcare, it is not intended to and does not present the financial position, changes in financial position or cash flows of Floyd Valley Hospital d/b/a Floyd Valley Healthcare.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

Floyd Valley Hospital d/b/a Floyd Valley Healthcare has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2021

Part I – Summary of Independent Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified opinion

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

**Assistance Listing Number 93.498
Provider Relief Fund and American Rescue
Plan (ARP) Rural Distribution (COVID-19)**

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2021**

Part II—Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

No matters were noted.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2021**

Part III—Findings and Questioned Costs for Federal Awards

INTERNAL CONTROL DEFICIENCIES

No matters were noted.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF FINDINGS
Year ended June 30, 2021**

Part IV—Findings Related to Required Statutory Reporting

21-IV-A BUDGET

Based on a comparison of actual and budgeted expenditures, it appears the Hospital did not exceed its budget for the year ended June 30, 2021.

21-IV-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

21-IV-C TRAVEL EXPENSES

No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

21-IV-D BUSINESS TRANSACTIONS

No business transactions were found between the Hospital and Hospital officials and/or employees.

21-IV-E BOARD MINUTES

No transactions were found that we believe should have been approved in the Board minutes but were not.

21-IV-F DEPOSITS AND INVESTMENTS

We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Hospital's investment policy.